

## ARTICLE V

### RESERVATION, PURCHASE AND SERVICING OF MORTGAGE BACKED SECURITY MORTGAGE LOANS

Section 5.01. **General.** From time to time, in lieu of purchasing Mortgage Loans directly, the Board may conduct programs pursuant to which Mortgage Loans are purchased by a Master Servicer, which Master Servicer then pools such Mortgage Loans into MBSs and sells the MBSs to the Board. The origination and sale of such Mortgage Loans must comply with requirements set forth hereinafter in this Article V, as well as any conditions set forth in the related Invitation to Participate, Notice of Acceptance, and Terms and Conditions.

Section 5.02. **MBS Guide.** Each Mortgage Loan to be originated and sold to the Master Servicer and pooled into an MBS is required to meet all the terms and conditions of the contracts and guide related to such MBS program (e.g., Fannie Mae Guide, FHLMC Guide or GNMA Guide).

Section 5.03. **Board Guide Provisions to Also Be Satisfied.** In addition to satisfying all the terms and conditions of the applicable MBS guide, any Mortgage Loan to be sold to a Master Servicer and pooled into an MBS must also meet certain terms and conditions of this Guide, as follows:

- (a) The Mortgage Loan Reservation Procedures of Article II hereof will apply.
- (b) Each Mortgage Loan must meet the Mortgage Loan General Requirements of Section 2.04 hereof.
- (c) Each Mortgage Loan must meet the Federal Eligibility Requirements of Sections 2.05 and 2.05.1 hereof.
- (d) Financing of Mortgage Loans by the Board is subject to the provisions of Section 2.06 hereof.
- (e) The remedies and indemnification provisions of Section 2.07 hereof shall apply, except subsections (a)(i) and (a)(iii) shall not apply.
- (f) Section 2.11 shall apply.
- (g) Article III, subsections (c), (f), (g), (h), (i), (j), (k), (l), (n), (o), (p), (q), (r), (s), (t), (u), (v), (w), (x), (y), (z), (aa), (bb), (cc) and (dd) shall each apply to any such Mortgage Loan.

- (h) Section 4.11 shall apply.
- (i) Article VI shall apply to any such Mortgage Loan.

Section 5.04. ***Closing and Compliance Review.*** Each Mortgage Loan must be reviewed and approved by the Board for compliance with the Code and all regulations thereto, as well as with Board criteria, after closing and prior to purchase by the Master Servicer. Documents required for the compliance review are outlined in Exhibit H hereto. A complete package of compliance review documents shall be delivered to the Board for review within four (4) Business Days following signature of all closing documents for a Mortgage Loan by the Mortgagor. The Board shall inform the Participant and the Master Servicer within ten (10) Business Days of receipt of a completed compliance package as to whether the Mortgage Loan is approved for purchase in terms of compliance with Federal Eligibility Requirements and Board criteria.

Section 5.05. ***Purchase.*** The Participant shall commence to make Mortgage Loans promptly and shall tender such Mortgage Loans for sale to the Master Servicer within 45 days after the signing of the note by the Mortgagor during the reservation period set forth in the Notice of Acceptance. The purchase price for each Mortgage Loan shall be the percentage of the outstanding principal amount of the Mortgage Loan designated in the applicable Notice of Acceptance together with the interest accrued thereon to the Mortgage Purchase Date.

Section 5.06. ***Servicing.*** Mortgage Loans purchased by the Master Servicer shall be serviced by the Master Servicer in accordance with provisions of the applicable MBS program (e.g., Fannie Mae Guide, FHLMC Guide or GNMA Guide), the Board Guide as indicated herein, and the applicable Invitation to Participate.

Section 5.07. ***Repurchase of Loans.*** Each Participant agrees to repurchase any Mortgage Loan sold to the U.S. Bank Home Mortgage – MRBP, the Master Servicer, at any time during the life of such Mortgage Loan, upon the occurrence of any of the following events:

- (a) Master Servicer reasonably believes any violations of any rule, regulation, or requirement of the applicable agencies, i.e. FHA, HUD, VA, RD, FHLMC, GNMA or Fannie Mae or any other investor as may be identified in the Bond program, or specific guidelines as outlined in the Bond documents/program manuals.

- (b) For Mortgage Loans not underwritten by the Master Servicer or its approved designees, should the Mortgagor fail to make the first payment due to the Master Servicer by the due date of the next mortgage payment, the Participant shall not have the right to advance any funds for or on behalf of the Mortgagor for any delinquent payment, or to otherwise make funds available to any Mortgagor to aide or cure a default by the Mortgagor. Payment, for which the Master Servicer deducted funds at the time the Mortgage Loan is purchased from the Participant, shall not be considered the first payment due the Master Servicer.

- (c) Any false statement, misstatement, or act of omission of material fact contained in the Mortgage Loan documentation resulting from the Participant's negligence or failure to exercise due diligence as disclosed by actual inspection by the Master Servicer or its representative, or otherwise disclosed.

(d) Participant fails to obtain FHA insurance, VA, HUD or RD guaranty, PMI, or if such insurance or guaranty lapses or for any reason becomes unavailable, as a result of any negligent act or omission by the Participant, or the failure by the Participant to obtain such insurance or guaranty within ninety (90) days from the date of purchase.

(e) Master Servicer is required to repurchase any Mortgage Loan sold by it to GNMA, FHLMC or Fannie Mae or any other investor, by reason of a deficiency in or omission with respect to the Mortgage Loan documents, instruments, and agreements, pertaining to such Mortgage Loan.

(f) Any representation or warranty made by the Participant under this Agreement with respect to any Mortgage Loan shall, in the reasonable opinion of the Master Servicer, be, in whole or in part and with or without knowledge of the Participant, false at the time when made by Participant or become false upon the occurrence of subsequent events.

(g) Any material fraud, misrepresentation or act of omission with respect to the information submitted on a particular Mortgage Loan is determined to exist by the Master Servicer or another investor. This includes, but is not limited to, fraud or misrepresentation by the Mortgagor or other third party, and any misrepresentation of Mortgagor's income, funds on deposit, or employment, or of the occupancy status of the mortgaged property.

(h) Participant's breach of any covenant or obligation to the Master Servicer with respect to the Mortgage Loan under this Agreement or any program manuals.

(i) If a Mortgage Loan is more than 30 days delinquent within the first 90 days of scheduled payments, or is more than 60 days delinquent within the first 180 days of scheduled payments.

The repurchase price for any Mortgage Loan that the Participant is required to repurchase from the Master Servicer shall be an amount equal to its then unpaid principal balance of the Mortgage Loan on the date of repurchase, plus accrued interest, any servicing release premium paid, and direct expenses (including attorneys' fees) incurred by the Master Servicer for any actions taken by it concerning, as a result of, or in connection with, any of the events or circumstances set forth herein as cause for repurchase. The Master Servicer's exercise of its right to have the Participant repurchase any Mortgage Loan hereunder shall be in addition to, and not in lieu of, any other rights or remedies which the Master Servicer may have against the Participant hereunder or under applicable law.

Section 5.08. **Indemnification.** The Participant shall protect, indemnify and hold the Master Servicer harmless from and in respect to, any and all losses, liabilities, reasonable costs and expenses (including attorneys' fees) that may be incurred by the Master Servicer with respect to, or proximately resulting from any breach of, any representation, warranty or covenant of the Participant hereunder. The Master Servicer shall be entitled to rely upon the Participant as assembler and preparer of all Mortgage Loan documents, and is under no duty whatsoever to investigate or confirm any of the information set forth therein as to its honesty, accuracy or

completeness. The Participant hereby agrees to indemnify and hold the Master Servicer harmless from any claim, loss or other damage to the Master Servicer including reasonable attorneys' fees resulting in whole or in part from any inaccuracy or incompleteness in the Mortgage Loan documents or any act or omission by the Participant, its agents and employees, including but not limited to failure to comply with applicable state, federal and local statutes or regulations. To the extent the Participant, its agents or employees, commits an actual wrong or makes some error or omission in the preparation of any Mortgage Loan or its documents, and as a result thereof, and based thereon, the Master Servicer commits an act or omission for which it becomes liable to the Mortgage(s) or any third party and/or a claim or cause of action is instituted against the Master Servicer, the Participant shall and hereby agrees to indemnify and hold the Master Servicer harmless from any such loss or damage, including reasonable attorneys' fees, resulting therefrom.

**Section 5.09. *Refund of Service Release Premiums.***

(a) If any Mortgage Loan is prepaid in full within six (6) months following the date of purchase by the Master Servicer, from the Participant, the Participant shall refund to the Master Servicer all service release premiums received from the Master Servicer with respect to that Mortgage Loan.

(b) Excluding a first payment default as defined in Section 5.07(b) above, if any Mortgage Loan, underwritten by the Participant, becomes 90 days delinquent within the first six (6) months after the loan was purchased by the Master Servicer, and such Mortgage Loan is not brought current by the Mortgagor within 90 days of such delinquency, the Participant shall refund to the Master Servicer all service release premiums received from the Master Servicer with respect to that Mortgage Loan, plus an indemnification fee of \$1,000 on conventional loans and \$2,000 on government loans. For this purpose, the Mortgagor shall be considered 90 days delinquent on a monthly payment when that payment is not received by the Master Servicer by the first day of the third month following the payment due date, regardless of the actual number of the days in the month. For example, if the Mortgagor has not made his/her January payment by the last day of March, the Mortgagor shall be considered 90 days delinquent with respect to the January payment.

**Section 5.10. *Transfer of Title to Mortgage.*** Transfer of the right, title and interest of the Participant in the Mortgage Loans to the Master Servicer, pursuant to purchase, shall be by delivery of the note evidencing each Mortgage Loan endorsed on the back thereof by the Participant to the order of the Master Servicer in the form specified in the Funding and Delivery Guide of U.S. Bank N.A., and all Mortgages shall be assigned under a single or blanket assignment and which shall be recorded in the office of the County Clerk and Recorder of the county wherein each property is located, all in a manner, form and condition satisfactory to counsel to the Master Servicer and as more fully set forth in this Agreement. In addition the Participant shall properly assign to the Master Servicer or its designee any mortgagee title insurance policy and the rights to any Mortgage insurance relating to said Mortgage Loans. Alternatively, Mortgage Loans can be registered electronically with MERS to replace the assignment of such Mortgage Loans to the Master Servicer.

Section 5.11. ***Final Documents.*** The Participant agrees to deliver to the Master Servicer all final documents customarily not available at the time of closing in accordance with the Funding and Delivery Guide of U.S. Bank N.A.

Section 5.12. ***Hazard Insurance.***

(a) As to each Mortgage Loan purchased by the Master Servicer, the Participant shall notify the Master Servicer and the insurance company or companies issuing any policy or policies insuring each of the mortgaged premises against loss or damage by fire or other hazard (as set out in Section 4.06 hereof) by mail that, effective on the Mortgage Purchase Date, such Mortgage Loan will be conveyed to the Master Servicer, and shall direct that the Master Servicer be designated as a loss payee on said policies as its interest may appear, effective on such Mortgage Purchase Date;

(b) The Participant, to the extent permitted by law, hereby assigns and sets over to the Master Servicer as of each Mortgage Purchase Date all its right, title and interest in and to such policies or contracts of insurance any benefits which it has heretofore received or which it may hereafter receive hereunder on all Mortgage Loans conveyed to the Master Servicer on such Mortgage Purchase Date. Upon the happening of any insurable event under any such policy of which the Participant has knowledge, the Participant shall with all reasonable speed proceed with vigorous efforts to collect the benefits; and

(c) The Master Servicer hereby designates and vests the Participant with all rights necessary to act for and in behalf of the Board to collect said benefits.